



**DIVISION OF FAMILY SERVICES OVERSIGHT OF  
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

**From The Office Of State Auditor  
Claire McCaskill**

*Officials have successfully reduced the number of individuals receiving temporary assistance. Some improvements may enhance employment of recipients.*

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**PERFORMANCE AUDIT**



Office of  
Missouri State Auditor  
Claire McCaskill

January 2003

**Most citizens who applied for temporary state assistance in 1997 no longer seek assistance, partly due to state-run job-placement programs**

About 97 percent of the 63,000 recipients who began receiving temporary assistance benefits from the state in 1997, no longer received these benefits as of January 2002. These recipients were part of a time-limited program (funded through federal and state dollars), which paid benefits for up to 60 months while also helping recipients transition into the workforce. Recipients were required to be working after receiving the first 24 months of benefits.

Missouri's efforts, run by the Division of Family Services, to move people off temporary assistance earned the state a \$10.8 million federal welfare-reform bonus in July 2002. Despite this bonus, the audit found case management improvements could increase the number of recipients leaving the program with jobs, rather than because their time limit ended.

**About 40 percent of recipients in audit sample found jobs**

Auditors reviewed files of 59 recipients receiving assistance in 1997 and found 23 obtained jobs. Of the remaining recipients, 21 left the program, 11 were still receiving assistance and 4 did not participate in the job-placement initiatives. (See page 4)

**Improved case management could increase results**

Auditors reviewed 179 assistance recipients, including 120 still receiving state assistance, to determine if the state properly handled these cases. Auditors found state officials did not refer 33 of these recipients to various job placement programs. Of these, state officials had no reason or overlooked referrals needed for 12 recipients. For 4 recipients with no referrals, recipients were employed, but in jobs not paying enough to keep them off assistance. (See page 5)

In reviewing 60 St. Louis recipients still receiving benefits, auditors found state case managers did not contact about 45 percent of the recipients within the 30- to 90-day timeframe required by program guidance. Time between contacts by state officials averaged 239 days for these St. Louis cases. (See page 7)

YELLOW SHEET

**Benefits extended for 1,000 recipients before evaluating extension eligibility**

In July 2002, the state extended benefits for 1,034 recipients beyond the program's 60-month limit before determining which recipients could receive an extension. Benefits can be extended for up to 20 percent of the recipients if recipients are receiving treatment for domestic violence, substance abuse, mental health problems or are in family crisis. (See page 9)

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FOR NEEDY FAMILIES**

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

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and  
Steve Renne, Acting Director  
Department of Social Services  
and  
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The State Auditor's Office audited the Division of Family Services' (division) efforts to reduce the number of welfare recipients receiving temporary assistance for needy families. The objectives of this audit were to determine (1) the extent temporary assistance recipients no longer receive assistance, (2) whether case management improvements are needed to help temporary assistance recipients obtain employment, (3) the extent temporary assistance benefits have been extended for recipients exceeding the 60-month lifetime benefit limit, and (4) whether improvements are needed in the management and oversight of the division's contractor.

We concluded division officials have been successful in reducing the number of welfare recipients receiving temporary assistance for needy families. Approximately 61,000 (97 percent) of the 63,000 recipients receiving temporary assistance as of July 1997 were no longer receiving the assistance as of January 2002. About 39 percent of sampled recipients found employment and the division removed 7 percent of sampled recipients from the program due to lack of participation. Improved case management could enhance employment opportunities for some recipients. Division officials should ensure (1) assistance programs are offered to temporary assistance recipients, (2) case managers maintain frequent contacts with temporary assistance recipients, and (3) required case documentation is prepared. We also found approximately 1,000 recipients have received extensions for temporary assistance whether entitled or not. The extension occurred because officials did not publish guidelines for extending temporary assistance until after the 5-year maximum benefit period expired.

Division officials also need to improve the management and oversight of the division's contractor to ensure actual costs are reported for services performed.

We conducted the audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

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## **RESULTS AND RECOMMENDATIONS**

### **1. Number of Citizens Receiving Temporary Assistance Were Reduced Significantly, but More Could Be Done to Achieve Employment**

Approximately 61,000 (97 percent) of the 63,000 recipients receiving temporary assistance for needy families (temporary assistance) as of July 1997 were no longer receiving the assistance as of January 2002. Based on a limited sample of 59 recipients from this universe, auditors determined the Division of Family Services<sup>1</sup> (the division) helped 39 percent of sampled recipients find employment. The division removed another 7 percent of sampled recipients from the temporary assistance program who were not participating in job-readiness programs. The audit disclosed improved case management could result in employing more recipients. The division could (1) ensure needed programs are offered to temporary assistance recipients, (2) make frequent contacts with temporary assistance recipients, and (3) prepare required case documentation. Additionally, because the division did not establish guidelines for extending temporary assistance after the 5-year maximum benefit period, approximately 1,000 recipients received extensions for their assistance whether they were entitled to them or not. These cases are currently under review by division personnel to determine if the benefits are justified.

#### **Missouri's implementation of the law**

The U.S. Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the Act). The Act created temporary assistance block grants for states to financially help needy families transitioning from welfare to work. Temporary assistance funding is also intended to aid needy families with care for children in their own home and to reduce welfare dependency by promoting job preparation, work, and marriage. Funds may also be used to prevent non-marital pregnancies and encourage the formation and maintenance of two-parent families. The Act limits the number of months a family can receive temporary assistance to 60 months,<sup>2</sup> however, the Act permits states to extend benefits for up to 20 percent of the caseload past that time limit. In addition, the Act requires recipients to work after 2 years of receiving temporary assistance, with few exceptions.

In October 1997, the division entered into an interagency agreement with the Department of Economic Development - Division of Workforce Development (the contractor) to implement job preparation, job placement, and job development programs for temporary assistance applicants and recipients. Division personnel evaluate these applicants and recipients and determine if they are job ready and prepared for referral to contractor services. After receiving a referral, the contractor helps the applicant or recipient prepare resumes, identify job opportunities, and enroll in job search training workshops. The contractor's goal is to help the applicants/recipients obtain gainful employment. The division reimburses the contractor for services provided to recipients. The total contract amount was not to exceed \$11 million for services provided during the period October 1, 1997, through May 31, 2002. The contractor received \$10 million in reimbursements through August 14, 2002.

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<sup>1</sup> The division is part of the Department of Social Services.

<sup>2</sup> As of July 1997, the Act limits the number of months to 60 whether or not they are consecutive months.

The division also refers temporary assistance recipients to other programs to help recipients find employment and become self-sufficient. Various available programs include welfare-to-work, adult basic education classes, vocational rehabilitation, parents fair share program, and different types of schooling. These programs offer a broad range of help to temporary assistance recipients.

## **Audit Methodology**

Auditors determined the total number of temporary assistance recipients as of July 1997 (the date the division implemented the 60-month lifetime limitation on welfare recipients) and compared the total with the number of cases still open as of January 2002. In essence, the auditors focused on a specific set of recipients and their status over the maximum time limit for benefits. Auditors also reviewed three random samples totaling 179 cases of temporary assistance recipients to determine if:

- Division personnel provided needed programs to temporary assistance recipients to enhance job skills and overcome impediments to employment.
- Case managers frequently contacted temporary assistance recipients.
- Case files had been documented in accordance with division guidance.

Auditors reviewed the contractor's cost reports to determine the validity and reasonableness of costs charged to the division.

See the Appendix, page 13, for additional details on the methodology.

## **Most individuals have left the program**

In July 1997, approximately 63,000 individuals received temporary assistance when the state implemented the federal law limiting these benefits to a 60-month timeframe. By January 2002, approximately 61,000, or 97 percent of these recipients had left the program. Our review of 59 sample cases showed the reasons recipients left the program. Table 1.1 depicts the status of sampled cases as of January 2002.

**Table 1.1: Status of 1997 Sampled Cases**

Status	Number	Percent
Recipient employed	23	39
Recipient did not cooperate	4	7
Recipient left the program <sup>1</sup>	21	35
Open cases	<u>11</u>	<u>19</u>
Total	<u>59</u>	<u>100</u>

<sup>1</sup> Includes 17 no longer qualified, 3 requested removal by recipient, and 1 who moved out of the state.

Source: Division case files.



These statistics show the division succeeded in reducing the recipients' temporary assistance needs. The division had direct control over the outcome of 38 of the 59 cases (23 recipients achieved employment, 4 recipients were removed from the program, and 11 recipients are still receiving temporary assistance). As a result of division action, 71 percent of the cases (23+4 ÷ 38) achieved successful outcomes for the division.

### **Missouri recognized for its efforts**

The U.S. Department of Health and Human Services named the state as one of the 10 best states at moving welfare recipients into jobs. The recognition represents efforts for federal fiscal year 2000.<sup>3</sup> As a result, the state received \$10.8 million in temporary assistance funding as a welfare-reform bonus in July 2002. According to a division official, the state must use these funds to provide temporary assistance grants and services to recipients.

State noted as  
one of 10 best

Division data for federal fiscal year 2000 showed approximately 48 percent of recipients found employment which is somewhat similar to the sample results (39 percent) shown in Table 1.1. Division data differs from sample results because division data includes recipients finding employment who had not necessarily left temporary assistance rolls.

### **Results could be improved with better case management**

Our review of case files disclosed division personnel had not always (1) offered needed programs to temporary assistance recipients, (2) frequently contacted temporary assistance recipients, and (3) prepared required case documentation.

### **Additional emphasis is needed on referrals to programs**

Division personnel had not referred temporary assistance recipients to programs for 55 of 179<sup>4</sup> cases reviewed. Discussions with case managers on those cases disclosed various reasons why referrals were not made as shown in Table 1.2.

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<sup>3</sup> The federal fiscal year begins October 1 and ends September 30.

<sup>4</sup> Sampled cases included 59 cases from 63,000 cases in which recipients were receiving temporary assistance in July 1997, as well as 120 cases where recipients were still receiving benefits as of January 2002.

**Table 1.2: Reasons for Lack of Referrals**

<b>Reason</b>	<b>Number</b>
<b><u>Cases where referrals needed</u></b>	
Case managers claimed referrals were made but not documented	6
No reason or overlooked	12
Recipient employed - still receiving benefits	4
Recipient only received temporary assistance for a short period of time, or not continuously	2
Recipient had a transportation barrier	1
Recipient was exempt at different times and then did not want to participate or was employed.	7
Recipient did not want to cooperate or participate	<u>7</u>
Total needing referral	<u>39</u>
<b><u>Cases exempt</u></b>	
Exempt due to receiving Social Security Income	10
Exempt as a non-parent caretaker <sup>1</sup> or for caring for handicapped child/parent	<u>6</u>
Total exempt from referral	<u>16</u>
Total cases reviewed	<u>55</u>

<sup>1</sup> A custodial caretaker cares for a child up to 12 months old or is a custodial care taker that is 60 years or older that cares for a child any age.

Source: Division cases sampled.

As shown above, referrals were not made and/or not documented for 39 (71 percent) of the 55 cases. For 6 of those cases, case managers stated they made referrals, but the case files did not have the referrals documented as required. For the remaining 33 cases, case managers had not made referrals in accordance with division guidance. Sixteen (29 percent) of the 55 cases involved recipients exempt from work requirements and therefore, the case managers were not required to make referrals

Division guidance states the goal of the temporary assistance program is for families to become independent of the need for cash assistance. In addition, the primary objective of the Act is to transition individuals from welfare to work. According to division personnel, temporary assistance recipients can be referred to programs when they are employed or receiving temporary assistance for short time periods. For the case involving a transportation barrier, the case manager assumed a referral could not be made and made no attempt to overcome the barrier. Division guidance allows case managers to suggest various alternatives to overcome transportation barriers including providing bus vouchers or up to \$5 a day to assist recipients with transportation barriers.

## **Contacts were not made as required**

Our review of 120 cases, from a universe of 1,865 temporary assistance cases, open as of January 2002, disclosed case managers had not stayed in contact with recipients as required by division guidance. St. Louis city case managers service an average of 1,510 cases per year. Our review of 60 cases serviced by these case managers disclosed 27 cases with contacts not made within the 30- to 90-day timeframe. The average time between contacts for those cases was 239 days. Our review of an additional 60 cases<sup>5</sup> from 6 other service areas in the state<sup>6</sup> disclosed contacts occurred more frequently. However, 9 of the cases reviewed averaged 272 days between contacts. For the remaining 51 cases, contacts were made within 30 to 90 days. The reasons given by 25 St. Louis case managers for not contacting recipients are shown in Table 1.3.

Untimely  
recipient  
contacts

**Table 1.3: Reasons for Not Contacting Recipients**

<b>Reason for Lack of Contact</b>	<b>Number of Managers</b>	<b>Days Since Last Contact</b>
<b><u>Cases where contact needed</u></b>		
Case managers claimed they did not document their contacts	4	121 to 439
Case manager claimed recipient qualified for 12-month childbirth work requirement exemption; however, no documentation to support exemption	1	320
Case managers were uncertain or did not know why contact was not made	15	96 to 836
Case manager did not make contact because of heavy case load	1	167
Recipient had a prescription, but no physician's excuse documented	1	147
Recipient provided a 12-month childbirth exemption, however, recipient had requested exemption based on difficult pregnancy without physician's excuse	1	198
One case manager added contact information to case file after auditors requested case file	<u>1</u>	197
Total contact needed	<u>24</u>	
<b><u>Cases where contact not needed</u></b>		
Case manager provided 12-month childbirth exemption in accordance with division guidance	<u>1</u>	
Total no contact needed	<u>1</u>	
Total	<u>25</u>	

Source: Division case records and auditor discussion with case managers

<sup>5</sup> The universe of open cases totaled 355 for the other service areas.

<sup>6</sup> Excludes St. Louis city, which is discussed separately.

Division guidance states contact should be made every 30 days for recipients who are subject to a work requirement. However, some individuals may be temporarily exempt from the work requirement due to childcare barriers, transportation barriers, or caring for a disabled parent or child. The guidance requires case managers to reevaluate the circumstances for granting exemptions every 30 or 90 days depending on the circumstance. This policy would require a contact by the case manager. Division personnel stated case managers have been verbally instructed to contact uncooperative individuals every 90 days. Division guidance does not address contact requirements for recipients with medical exemptions, nor does it address contact requirements for recipients with childbirth exemptions.

Discussions with other service area case managers for seven of the nine cases where contact criteria had not been met, disclosed the following:

- Six case managers were uncertain or did not know why the contact was not made on a timely basis. Time between contacts ranged from 100 to 859 days.
- One case manager did not document the contact with the recipient. Records showed it had been 352 days since the recipient had been contacted.

#### **Case documentation has not been adequate**

Our review of 120 cases disclosed (1) a critical family information record (family record) had not been included in 48, or 40 percent, of the cases reviewed; (2) barriers to employment had not been included as part of the family record on 18, or 25 percent of cases containing a family record; and (3) a narrative documenting case activity and history had not been included on 12, or 10 percent of cases reviewed. The remaining 25 percent of the cases were adequately documented.

Division guidance states the family record is a screening tool which helps case managers determine the job readiness levels of temporary assistance recipients. The family record contains basic information concerning the individual's work and educational background, barriers to employment, supportive service needs, and goals. The family record may document the need for additional referrals and case management for the recipient to attain self-sufficiency. The requirement for the family record became effective in February 2000. Guidance states this record will be completed when individuals apply for temporary assistance benefits, at reinvestigation, or when interim contact for individuals receiving temporary assistance occurs, if the individual is not active with a benefit provider.

Case files did not  
contain family  
record

Of the 72 cases containing the family record, our review disclosed 18 instances where barriers to employment had not been documented on the family record. These barriers represent circumstances that may inhibit a recipient from immediately obtaining employment.

Division guidance requires a narrative as part of the case management file. The guidance states that a short concise record of oral and written information related to the participant, service providers, and central office should be documented on the case narrative.

Discussions with 41 case managers to determine reasons for not properly documenting case files disclosed:

- Twenty-five could not provide a reason.
- Thirteen did not document properly through oversight or lack of knowledge.
- Three could not get recipient cooperation.

Division personnel stated the family record is an assessment tool that helps identify the family history, recipient information, and potential barriers. In addition, for barriers identified, case managers can make referrals to the proper assistance programs. Division personnel also stated a narrative is required to aid a new case manager or supervisor in determining the assistance given to recipients by previous case managers. During our review of case files, we noted several instances of cases transferred to different case managers.

### **Benefits extended for over 1,000 recipients**

At July 1, 2002, the division extended temporary assistance benefits for 1,034 recipients beyond the 60-month lifetime benefit period. Since these cases are still under review by division personnel, it is unknown how many of these recipients were entitled to receive these benefits.

Temporary assistance benefits for the initial group of recipients subject to the 60-month lifetime benefit limitation ended on June 30, 2002. The Act allows the extension of temporary assistance benefits beyond the 60-month limit. According to a division official, officials knew criteria had to be established to determine which recipients could be extended. However, division officials did not establish extension criteria until issuing a memo 3 days after expiration of the 60-month limitation period. The memo required a review of all cases to determine extension eligibility for certain conditions such as the recipient:

- Being treated for domestic violence.
- Being treated for substance abuse.
- Having mental health problems.
- Involved in family crisis.
- Waiting for review of circumstances by division personnel.

Benefits for recipients were extended pending the outcome of their case reviews. Since the division established the review procedure late, extended benefits may have gone to some unqualified recipients. The division would have identified the unqualified recipients before the end of the 60-month period had the procedure been put in place earlier.

The memo also states the family record and case history narrative are vital tools in helping division personnel determine whether to extend temporary assistance benefits. However, as

previously discussed, the family record had not been included in 40 percent of cases auditors reviewed and case history narratives had not been included in 10 percent of cases reviewed.

## **Conclusions**

Although division officials have successfully reduced the number of individuals receiving temporary assistance, additional enhancements to case management could likely increase the number of recipients successfully transitioning to employment. Ensuring recipients are referred to programs that help overcome impediments to employment and/or increase job skills is critical to enhancing the employability of recipients. Timely contacts with recipients are also important because they provide recipients and case managers the opportunity to discuss recipient needs and ensure recipients meet work requirements. Officials developed a system to document critical family information and narrative highlighting case history, but case managers have not always used this system. As a result, new case managers reviewing a case transferred to them may not have critical information necessary to assess the recipient needs.

## **Recommendations**

We recommend the Director, Department of Social Services:

- 1.1 Establish quality controls to require periodic reviews of cases to ensure referrals are made and recipients are contacted in a timely manner.
- 1.2 Ensure division personnel provide adequate case documentation.

## **Department of Social Services Responses**

- 1.1 *Effective July 1, 2003, responsibility for work activities for TANF<sup>7</sup> recipients will transfer to the Division of Workforce Development. We are working on an automated system to ensure referrals are made to the Division of Workforce Development. This system will be in place by July 1, 2003.*
- 1.2 *As responsibility for TANF work activities are transitioned to the Division of Workforce Development, the remaining Division of Family Services case management staff will be better able to focus on their other responsibilities.*

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<sup>7</sup> Temporary Assistance for Needy Families

## **2. Improved Administration and Oversight of Contract with Provider Is Needed**

Although total contract costs for services were accurately reported, the contractor did not report itemized costs correctly. This situation has occurred because division and contractor personnel had not clearly communicated how to report expenses. As a result, division officials have not had accurate information on the contractor's monthly expenditures.

### **Reporting of actual expenses is needed**

Since 1997, division officials have paid approximately \$10 million to the contractor to help temporary assistance recipients find employment. However, invoices submitted by the contractor to the division since December 2001, have not provided an accurate account of the contractor's monthly expenses.

The contract, in place from October 1, 2001, through May 31, 2002, lists the budgeted categories for the state funds used by the contractor. In addition, the contract requires the contractor bill the division monthly for services provided to recipients. Contractor personnel stated, until December 2001, they billed the division for actual expenditures and submitted a report showing detailed expenditures. In December 2001, contractor personnel stated division personnel requested invoices be prepared based on budgeted amounts and the report showing detailed expenditures no longer had to be submitted. As a result, contractor personnel no longer billed the division for actual costs incurred for budgeted items. With that change, contractor personnel stated budgeted items were billed based on budgeted amounts in lieu of actual expenditures. Therefore, contractor financial records showing actual expenditures for budgeted items do not agree with amounts billed to the division. As a result, the contractor could under/over spend budgeted areas without division personnel knowledge. For example, our review disclosed the contractor spent \$4,262 for travel in a month. However, the contractor submitted an invoice to the division showing it incurred \$2,500 in travel expenses. The following month the contractor spent \$1,751 for travel expenses and billed the division \$2,500. Our review of contractor records showed the total billed for the last contract year agreed with total actual expenditures incurred by the contractor. However, the contractor may have under/over spent some individual budget items.

Division contracting personnel responsible for the contract stated they were not aware there had been a change in the billing process. In addition, contracting personnel assumed the contractor no longer had the capability to provide a detailed report of expenditures. Division personnel only receive an invoice listing five budget categories and the amounts billed for those categories.

### **Conclusions**

Due to a breakdown in communication between division and contractor personnel, actual expenditures incurred by the contractor stopped being reported on monthly invoices. As a result, division personnel cannot accurately establish budget category amounts from year to year on a continuing contract. Without adequate documentation of the expenditures incurred, the division cannot determine if the costs for services are proper.

## **Recommendations**

We recommend the Director, Department of Social Services:

- 2.1 Clarify contract language to ensure contractor invoices reflect actual expenses incurred.

## **Department of Social Services Response**

- 2.1 With the transfer of responsibility for TANF work activities to the Division of Workforce Development, funding for this purpose will be directly appropriated to that Division. There will no longer be a need to clarify contract language.*



**OBJECTIVES, SCOPE AND METHODOLOGY**

**Objectives**

Our overall objective was to determine whether the Division of Family Services (the division) has been successful in reducing the number of individuals receiving temporary assistance for needy families (temporary assistance). Specific objectives included determining (1) the extent temporary assistance recipients no longer received assistance, (2) whether case management improvements are needed to help temporary assistance recipients obtain employment, (3) the extent temporary assistance benefits have been extended for recipients exceeding the 60-month lifetime benefit limit, and (4) whether improvements are needed in the management and oversight of the division's contractor.

**Scope and Methodology**

To determine whether substantial numbers of temporary assistance recipients had left the program, we determined the universe of temporary assistance recipients, as of July 1997—the date the division implemented the 60-month lifetime limitation on welfare recipients—and compared that universe with the universe of recipients that had received payments for 55 months, as of January 2002. To test the adequacy of actions taken by individual case managers, we selected three random samples totaling 179 cases from the universe of 62,965 recipients first subjected to the 60-month limitation.

- We reviewed a random sample of 59 open and closed cases receiving temporary assistance during that timeframe to determine the status of those cases and, if closed, why recipients had left the program.
- We used the same three samples to determine whether temporary assistance recipients had been referred to assistance programs.
- To determine the timeframe since the case manager had contacted the temporary assistance recipient and whether the case manager had properly documented the family information record and case history, we reviewed a sample of 120 cases—60 cases in the St. Louis service area and 60 cases serviced in other areas of the state. We selected the St. Louis service area because it is an urban area with a high concentration of temporary assistance recipients. We also reviewed division policies and procedures for these areas and discussed cases with case managers.

To determine whether improvements are needed in the oversight and management of the contractor that refers temporary assistance recipients to assistance programs, we reviewed contract provisions and procedures for determining the validity of costs incurred by the contractor and reported to the division.

## **APPENDIX**

Auditors used division computer-generated data for informational purposes only and did not draw conclusions based on that data, therefore, we did not conduct any testing to validate the data.

We conducted our work between January and July 2002.